

The Board of Leader Universal Holdings Berhad (LEADER) places importance on good corporate governance within its Group of Companies and is committed to ensure that the Group continues to practise and maintain a high standard of corporate governance at all times. The Board strongly believes and upholds the principle of discharging its responsibilities effectively so as to safeguard and enhance shareholders' value. The Board is pleased to disclose below how the Company has complied with the principles laid down in the Malaysian Code of Corporate Governance (the Code) for the financial year ended 31 December 2002.

A. DIRECTORS

The Board of Directors (The Board) and Board Balance

The Board consists of fourteen (14) members out of which five (5) are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executive Directors and seven (7) are Executive Directors. The Board is led by a Non-Executive Chairman. The seven (7) Executive Directors comprise of the Deputy Chairman & Chief Executive Officer (CEO), the Executive Vice-Chairman, the Managing Director, the Deputy Managing Director and three (3) Executive Directors with specific areas of responsibilities. The Board has met the requirement of one-third (1/3) being Independent Directors. The Board retains full and effective control and has the overall responsibility for the performance of the Group. The Board meets at least four (4) times a year and additional meetings are convened as and when necessary. During the year ended 31 December 2002, five (5) board meetings were held. The schedule of the meetings and the attendance of the directors are as follow:

Date of Board Meeting	Time	Venue
1. 26 February 2002	11.15 a.m.	Wisma LEADER, Penang
2. 16 April 2002	12.00 p.m.	Wisma LEADER, Penang
3. 31 May 2002	11.30 a.m.	Wisma LEADER, Penang
4. 27 August 2002	9.15 a.m.	Wisma LEADER, Penang
5. 26 November 2002	10.30 a.m.	Wisma LEADER, Penang

Directors	Total Attendance
<u>Non-Executive</u>	
1. Tan Sri Razali Ismail (Chairman - Non-Independent)	3/5
2. Dato' Ismail Abdullah (Non-Independent)	5/5
3. Dato' N. Sadasivan (Independent)	5/5
4. Lai Chang Hun (Independent)	5/5
5. Wan Ismail Wan Nik (Independent)	5/5
6. Patrick Chin Yoke Chung (Independent)	5/5
7. Chew Hock Lin (Independent)	5/5
<u>Executive</u>	
8. Dato' Seri H'ng Bok San (Deputy Chairman & CEO)	5/5
9. Dato' Harry H'ng Bak Seah (Executive Vice-Chairman)	5/5
10. Dato' Kenneth H'ng Bak Tee (Managing Director)	5/5
11. Kon Ted Liuk (Deputy Managing Director)	5/5
12. Sean H'ng Chun Hsiang (Executive Director)	5/5
13. Taza Tan Sri Razali (Executive Director)	4/5
14. Abdul Rahim Dato' Ismail (Executive Director)	5/5

Besides board meetings, the Board also exercises its approval on matters via Circular Board Resolutions.

The Board composition represents an appropriate balance of knowledge, skills and experiences in various fields and brings in a wide range of expertise on corporate advisory, manufacturing, accounting and financial management to the Group. The presence of Independent Non-Executive Directors on the Board provides a pivotal role in corporate governance accountability as they play a key supporting role in providing unbiased and independent view, advice and judgement in the Board's decision making process. Encik Wan Ismail Wan Nik, who is Chairman of the Audit Committee, also acts as the Senior Independent Non-Executive Director of the Board where any issues of concern may be addressed to him. There is also a clear distinction between the role of the Non-Executive Chairman of the Board and the Deputy Chairman & CEO. The Deputy Chairman & CEO, carries executive power in the negotiations and development of the Group's business and ventures into new areas of growth. The Chairman of the Board is responsible for the effectiveness of the Board and the conduct and participation of executive and non-executive members at board meetings.

In their commitment to service, all the directors have given their respective undertaking to comply with the provisions of the KLSE Listing Requirements as well as the Rules of the KLSE. They have also attended the Mandatory Accreditation Programme organised by The Research Institute of Investment Analysts Malaysia (RIIAM), the training arm of KLSE and will attend similar training programme required to constantly upgrade and equip themselves to effectively discharge their duties as directors.

The profile of each director is set out under the "Directors' Profile" section which is contained in this Annual Report.

Subsequent to year end, the following directors have resigned as directors on the Board:

Name of Directors	Date of Resignation
1. Chew Hock Lin	1 March 2003
2. Dato' Harry H'ng Bak Seah	10 April 2003
3. Kon Ted Liuk	10 April 2003
4. Sean H'ng Chun Hsiang	10 April 2003
5. Taza Tan Sri Razali Ismail	10 April 2003
6. Abdul Rahim Dato' Ismail	10 April 2003

Tan Sri Razali Ismail and Dato' Ismail Abdullah have been redesignated as Independent and Non-Executive Chairman and Independent and Non-Executive Director respectively effective from 10 April 2003.

Notwithstanding the above resignations, the Company is in compliance with paragraph 15.02 on "independent directors" of the Listing Requirements of the Kuala Lumpur Stock Exchange.

Supply of Information

The Board papers are given to directors before each Board Meeting to enable the directors to obtain explanations where necessary. Before the board papers are prepared, the Managing Director will meet with the respective heads of business units and departments at the Head Office to ensure that the latest developments and highlights are presented to the Board.

Supply of Information (cont'd)

The Board agenda include among others the following:

- a) Managing Director's Report on Financial and Operation Performance;
- b) Quarterly Consolidated financial results;
- c) Report from Audit Committee and other Board Committees (if any);
- d) Annual budget including capital expenditure/cash flow;
- e) Report from Head Office Division;
- f) Report from Telecommunication & Power Division;
- g) Report from Diversified Business Division;
- h) Acquisition and disposal of assets/properties;
- i) Directors' disclosure of interests;
- j) Ratification of Circular Board Resolutions passed.

All the directors have unrestricted access to the advice and services of either the Company Secretaries or the management staff in carrying out their duties. In addition, the directors are free to seek professional advice at the Company's expense should the need arises.

Appointments to the Board

The Board is assisted by the following board committees in the execution of its responsibilities.

Nomination Committee

The Nomination Committee was established by the Board on 7 September 2001. It comprises the following members:

Dato' N. Sadasivan - Chairman
Lai Chang Hun
Chew Hock Lin

The Nomination Committee is delegated with the following functions and responsibilities:

- To review the Board composition of LEADER and to recommend to the Board, the candidates for all directorships to be filled by the shareholders or the Board;
- To consider, in making its recommendation, candidates for directorships proposed by the Deputy Chairman & CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- To review and recommend to the Board, the directors to fill the seats on Board Committees;
- To assist the Board to review annually its required mix of skills and experience and other qualities including corecompetencies which Non-Executive Directors should bring to the Board;
- To assess the effectiveness of the Board as a whole, the committees of the Board and contribution of each individual director.

Following the resignation of Mr Chew Hock Lin as director on the Board, he has also resigned from the Nomination Committee on 1 March 2003. Mr Patrick Chin Yoke Chung was appointed on 10 April 2003 to replace Mr Chew Hock Lin.

Audit Committee

The terms and reference of the Audit Committee are set out under the "Audit Committee" section which is contained in this Annual Report.

The Audit Committee has performed the activities specified in the terms of reference of the Committee for financial year ended 31 December 2002. During the year ended 31 December 2002, five (5) Audit Committee Meetings were held. No meeting was held with the external auditors without the presence of the Executive Director as there were no issues raised and requested by the external auditors. The Audit Committee comprises the following members with a majority being Independent Non-Executive Directors. The Chairman is an Independent Non-Executive Director who is also the Senior Independent Non-Executive Director of the Board. The attendance by the Audit Committee Members are as follows:

Audit Committee Members	Total Attendance
1. Wan Ismail Wan Nik - Chairman (<i>Independent Non-Executive</i>)	5/5
2. Kon Ted Liuk (<i>Deputy Managing Director</i>)	5/5
3. Lai Chang Hun (<i>Independent Non-Executive</i>)	5/5
4. Chew Hock Lin (<i>Independent Non-Executive</i>)	5/5

The Acting Head of Internal Audit Department attended all the Audit Committee Meetings. The Company is in the process of recruiting a manager to fill the vacancy. External auditors and other senior officers (if necessary) are invited to brief the Audit Committee on any specific issues.

Following the resignations of Mr Chew Hock Lin and Mr Kon Ted Liuk as directors on the Board, they have also resigned from the Audit Committee on 1 March 2003 and 10 April 2003 respectively. Mr Patrick Chin Yoke Chung and Dato' Kenneth H'ng Bak Tee were appointed on 10 April 2003 to replace Mr Chew Hock Lin and Mr Kon Ted Liuk respectively.

Remuneration Committee

The Remuneration Committee was established by the Board on 7 September 2001. It comprises of the following members:

Dato' N. Sadasivan - Chairman
 Dato' Kenneth H'ng Bak Tee
 Chew Hock Lin

The Remuneration Committee is delegated with the following functions and responsibilities:

- To review and recommend to the Board, the policy framework and guidelines of the Executive Directors' remuneration for LEADER so as to ensure that the Group attracts and retains Executive Directors of the necessary calibre, experience and quality needed to run the Group successfully;
- To review and recommend to the Board the remuneration package of the Executive Directors of LEADER;
- To assess that the Executive Directors are paid comparable to market rate based on information from survey or independent source;
- To recommend the format of disclosure of Executive Directors' Remuneration in the Annual Report.

Following the resignation of Mr Chew Hock Lin as director on the Board, he has also resigned from the Remuneration Committee and was replaced by Mr Patrick Chin Yoke Chung on 1 March 2003.

Employees Share Option Scheme Committee (Option Committee)

The Option Committee was established by the Board on 26 March 1999 to administer the Employees Share Option Scheme II (ESOS II). The Option Committee is given the power to offer and issue share options in accordance with the Bye-Laws of ESOS II and to do all acts and things and to enter into any transactions, agreements, deeds, documents or arrangements, make rules, regulations or impose terms and conditions which the Option Committee may at its discretion consider necessary or desirable. It comprises the following members:

Dato' Seri H'ng Bok San - Chairman (*appointed w.e.f. 18 June 2002*)

Dato' Harry H'ng Bak Seah (*appointed w.e.f. 18 June 2002*)

Dato' Kenneth H'ng Bak Tee

Kon Ted Liuk

Jessica H'ng Hsieh Ling

Andrew Sim Wee Kim

Sean H'ng Chun Hsiang

There were no share options issued by the Option Committee during the year due to the prevailing weak market sentiments.

The Option Committee will automatically be dissolved upon the expiry of ESOS II in July 2004.

Securities Investment Committee (SIC)

The SIC was established by the Board on 28 February 2000. The SIC is empowered to enter into and effect any dealings and transactions in respect of any securities as they may deem fit within the limit of the quantum approved by the Board. Prior to the establishment of the SIC, the powers were vested with the Main ExCo. The SIC meets at the end of each month.

The SIC comprises the following members:

Dato' Seri H'ng Bok San - Chairman (*appointed w.e.f. 18 June 2002*)

Dato' Harry H'ng Bak Seah (*appointed w.e.f. 18 June 2002*)

Dato' Kenneth H'ng Bak Tee

Kon Ted Liuk

Jessica H'ng Hsieh Ling

Andrew Sim Wee Kim

Sean H'ng Chun Hsiang

The Main Executive Committee (Main ExCo)

Main ExCo Meetings are held quarterly and on an ad hoc basis as and when deemed necessary. However for greater management efficiency, Main ExCo are now held monthly instead of quarterly with effect from January 2003. Six (6) members of the Board and two (2) members of the Senior Management staff are members of the Main ExCo. With the new board structure, the composition of the Main ExCo now consists of three (3) members of the Board and five (5) members of the Senior Management Staff. For good corporate governance, an Independent Non-Executive director is appointed as Chairman of the Main ExCo to provide unbiased and independent views and advice to the Main ExCo.

The Main ExCo is responsible for implementing the decisions and policies made by the Board, day to day management and conduct of the Group's business as well as the co-ordination of activities necessary to ensure the successful implementation of the Group's business programmes.

The Main Executive Committee (Main ExCo) (cont'd)

The Main ExCo comprises the following members:

Dato' N. Sadasivan - Chairman
 Dato' Seri H'ng Bok San
 Dato' Harry H'ng Bak Seah
 Dato' Kenneth H'ng Bak Tee
 Kon Ted Liuk
 Sean H'ng Chun Hsiang
 Jessica H'ng Hsieh Ling
 Andrew Sim Wee Kim

Divisional Executive Committee (Divisional ExCo)

Divisional ExCo Meetings are held at the end of each month to deliberate on the financial and operational performance from the various business units and departments with the head of the respective business units and departments.

The Divisional ExCo comprises the following members:

Dato' Kenneth H'ng Bak Tee - Chairman
 Kon Ted Liuk
 Jessica H'ng Hsieh Ling
 Andrew Sim Wee Kim
 Sean H'ng Chun Hsiang
 Lee Chong Yan
 Lee Kok Thiam

Following the restructuring of the Main ExCo Meetings which are now held monthly instead of quarterly, the financial and operational performance report from the various business units and departments are now tabled and presented to the Main ExCo. Hence, since January 2003, the Divisional ExCo has been dissolved.

Re-election

The Company's Articles of Association provides that all directors who were appointed by the Board during the year are subject to re-election by shareholders at the next following AGM but shall not be taken into account in determining the retirement of directors by rotation.

There are no directors retiring under the above provision.

The Articles of Association also provides that one-third of the directors (or if their number is not a multiple of three then the number nearest to one-third) shall retire from office at the AGM but shall be eligible for re-election.

Dato' Kenneth H'ng Bak Tee and Mr Lai Chang Hun shall retire under the above provision and are subjected to re-election at the forthcoming AGM.

Directors who are over seventy (70) years of age are subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. Dato' Ismail Abdullah who is over seventy (70) years of age has not offered himself for re-appointment at the forthcoming AGM.

B. DIRECTORS' REMUNERATION**Level and Make-up of Remuneration**

The remuneration package is designed to encourage directors and employees to give their best at all times and to reward individuals for participation in the growth of the Company which is consistent with LEADER's corporate philosophy. The package is designed to attract and retain individuals of the required calibre needed to run the Group successfully.

Procedure

The remuneration of Executive Directors, based on the recommendation by the Remuneration Committee, takes into account the individual's scope of responsibilities, contributions and performance as well as the market-rate for similar positions in comparable companies. The component parts of remuneration are structured so as to link rewards to corporate and individual performance.

In addition to the functions and responsibilities of the Remuneration Committee, the Board has also requested the Remuneration Committee to review and recommend the Non-Executive Directors' remuneration for the Board's consideration.

The fees payable to Executive Directors and Non-Executive Directors are recommended by the Remuneration Committee to the Board for approval by shareholders at LEADER's AGM.

The remuneration package of Executive Directors and Non-Executive Directors are approved by the Board. Directors concerned do not participate in the determination of their own remuneration package.

Disclosure

Disclosure of remuneration of directors of the Company is as per the KLSE Listing Requirements. Remuneration of directors during the financial year ended 31 December 2002 are as follows:

A. Aggregate Remuneration (RM)

	Executive Director		Non-Executive Director		Total
	Subsidiaries	LEADER	Subsidiaries	LEADER	
a) Fees	86,400	105,000	24,800	105,000	321,200
b) Salaries	-	3,096,000	-	-	3,096,000
c) Allowances	-	-	-	240,000	240,000
d) Bonus, EPF& others	-	2,971,408	-	-	2,971,408
e) Incentive Scheme	-	2,476,935	-	-	2,476,935
	-	8,544,343	-	240,000	8,784,343
f) Benefits-in-kind	-	102,875	-	-	102,875

B. Number of directors whose aggregate remuneration (RM) falls into the following bands:

	Executive Director	Non-Executive Director	Total
Below 150,000	–	7	7
300,001 - 350,000	2	–	2
950,001 - 1,000,000	1	–	1
1,550,001 - 1,600,000	1	–	1
1,600,001 - 1,650,000	1	–	1
1,850,001 - 1,900,000	1	–	1
2,100,001 - 2,150,000	1	–	1
Total	7	7	14

The above remuneration of directors of LEADER (excluding fees) are being reimbursed by its subsidiaries.

C. SHAREHOLDERS

Investors Relations and Communication with Shareholders

The Company welcomes queries from investors. The Deputy Chairman & CEO, Managing Director, Deputy Managing Director and Head of Finance & Legal Advisory hold periodical briefing sessions with the press media, financial analysts, fund managers and shareholders. The following are channels of communication:

- a) distribution of annual reports and requisite announcements to the KLSE;
- b) timely release of the Group's quarterly financial results;
- c) access through the company's website at www.leaderuniversal.com. Members of the public who wish to contact the Group on any matters can channel their queries through the website;
- d) periodical press releases.

Annual General Meeting (AGM)

The Board welcomes queries and questions from members attending the AGM which is the principal forum of dialogue with shareholders. The external auditors are also present at the Company's AGM.

Each item of special business which is included in the Notice of AGM is accompanied with an explanatory note for the proposed resolution and the effects in respect of the resolution.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects in presenting the quarterly announcements on the Group's performance and annual financial statements to shareholders. The said quarterly announcements and annual financial statements are reviewed by the Audit Committee and approved by the Board before releasing to the KLSE.

Internal Control

Please refer to the section on "Statement on Internal Control" which is contained in this Annual Report.

D. ACCOUNTABILITY AND AUDIT (cont'd)

Internal Audit Activities

Please refer to the section on "Statement on Internal Control" which is contained in this Annual Report.

Relationship with the External Auditors

The Company maintained a formal and transparent relationship with the external auditors and in seeking their professional advice in ensuring the Group's compliance with the applicable approved accounting standards. Before the commencement of audit, the external auditors will meet with the Audit Committee to present the terms of reference and scope of the audit to be conducted and the coordination with the other audit firms in the Group. Results of the audit conducted and overall findings and major issues are presented to the Audit Committee and deliberated at the Audit Committee Meeting.

E. OTHER INFORMATION

Material Contracts

Save as disclosed in Note: 33 of the Financial Statements, there are no material contracts of the Company or subsidiaries involving directors and substantial shareholders since the end of the previous financial year.

Revaluation of Landed Properties

Revaluation of landed properties of the Group is conducted at an interval of at least once in every five (5) years. A revaluation exercise has been done for the year ended 31 December 2002.

Statement of Directors' Responsibilities in respect of the Audited Financial Statements

The Directors are required under the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year.

In preparing these financial statements, the Directors have ensure compliance with the applicable approved accounting standards, make judgements and estimates that are reasonable and prudent and adopted and consistently apply suitable accounting policies.

The Directors have overall responsibilities for taking such steps as are reasonable open to them to safeguard the assets of the Group and the Company for the prevention and detection of fraud and other irregularities.

The statement is made in accordance with a resolution of the Board dated 10 April 2003.